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DIRECTORATE OF  
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**[** Vietnam: There is new evidence that the Communists intend to continue the war with the economy of force tactics adopted during the past year.

The new leadership in Hanoi endorsed this approach in the army daily of 17 September, telling the army that combat training, political indoctrination, and maintenance procedures must be improved and reserve forces strengthened in preparation for additional and long-term support for the war in the South.

The same message is being disseminated to southern combatants in the form of Resolution 9 of the party headquarters in the South. The resolution was probably issued sometime during the summer and is intended as a guide for at least the remainder of 1969 and probably through early 1970. It calls for a buildup in guerrilla and local force strengths, the destruction of Saigon's administrative apparatus, and attacks against US bases in an effort to keep casualties high.

In a clear departure from previous references to "general offensives" and complete military victory, Resolution 9 places its greatest emphasis on making the Communist presence felt in rural areas and on low key but persistent military action. The document also prepares Communist cadres in the South for a possible political settlement by talking openly about negotiations, political solutions, coalitions, and cease-fires.

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US forces fought another sharp battle near the Demilitarized Zone on 17 September, and South Vietnamese forces are encountering stiff opposition in several areas in the delta.

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USSR - Communist China: The Soviets are seeking to portray the recent Kosygin - Chou En-lai meeting as a success.

Western press sources in Moscow are reporting various assertions that the Chinese agreed to hold high-level border talks with the Soviets, or that Moscow is maintaining its stand-down in polemics until the Chinese reply to a proposal for talks. In addition, Soviet sources are reported to be claiming that border incidents have ceased since the meeting.

If Peking has not agreed to talks on the border problem, it is possible that Moscow is seeking to force China's hand by calling attention to Soviet willingness to negotiate. Kosygin undoubtedly reiterated Moscow's desire for border talks during his discussion with Chou. There has been no Chinese reaction to the meeting, however, other than the terse communiqué on 11 September. Peking's polemics against Moscow have continued.

In any case, Moscow obviously intends that the meeting be seen as a dramatic example of the Soviet desire to exhaust all possibilities for peaceful discussions with Peking. Moscow probably reasons that by leaking of reports that Kosygin again appealed for talks it can only enhance the Soviet image, whether or not Peking responds. [REDACTED]

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East Germany: Pankow has responded to another long-standing West German invitation for talks on technical matters.

West German postal authorities are expected to meet with their East German counterparts in East Berlin today to discuss payment from Bonn for postal services for the past three years. The East Germans have asked that neither side mention West Berlin accounts, although they will be willing to include them.

The East German proposal for talks was received in Bonn on Wednesday, the day after the two sides met cordially and settled a minor transportation question. The West Germans hope that this meeting will be the first in a series intended to resolve numerous transport problems.

East Germany's more forthcoming attitude probably is due to Moscow, which itself has responded positively to demarches from Bonn and the Western Allies. The East Germans may share the Soviets' hopes that such gestures could influence the outcome of the West German elections in favor of the Social Democrats.

The East Germans stand to gain considerably from the talks. An East German source recently confided to a US diplomat that his government was only interested in the favorable economic aspects of such talks and those who thought otherwise "were living in the clouds."

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France: The government is moving aggressively to counter spreading strikes and sharpened Communist political attacks.

Both President Pompidou and Premier Chaban-Delmas, reacting to a menacing speech by Communist labor boss Georges Seguy, have issued strong warnings that "law and republican order" will be maintained. There is some evidence that the Communists are backing away from Seguy's militant posture. Party leaders are aware that their efforts to gain political respectability could be jeopardized if the government hammers away at the idea that they are an irresponsible minority bent on sabotaging economic reform.

To deal with unrest among workers and prevent current strikes over working conditions from spreading, the government has announced its readiness to discuss a range of economic problems. The settlement yesterday of the nationwide railroad strike may improve the psychological climate and set a precedent for meeting other labor demands. The government is limited on what it can concede on wages, however, if its recent austerity measures are to be effective.

The massive vote of confidence in the National Assembly this week for Chaban-Delmas' economic and social program makes it evident that, for the present, the Gaullist majority is united behind the government. A number of orthodox and left-wing Gaullists remain embittered and dissatisfied, however, and Pompidou will have to move carefully to preserve parliamentary cohesion.



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Peru: President Velasco has overruled his labor minister in a move which could have far-reaching political and economic consequences.

Velasco ordered Labor Minister Chamot to grant an additional wage increase of about two percent following a clash between the striking miners and national police on Monday. Chamot had previously declared the strike illegal. It was led by two Communist-controlled unions against the US-owned Cerro de Pasco Mining Company. Twelve non-Communist unions at other company installations had already accepted an 11 1/2 percent increase. Velasco's action will discredit the leaders of these unions and probably increase the prestige of the Communist national labor confederation which has been making rapid gains in Peruvian labor, probably with the help of Soviet money.

The President may have ordered the wage increase to avoid further clashes at a time when he is seeking to build a political base among peasants and workers. US Embassy contacts believe, however, that leftist advisers have convinced Velasco that Chamot has aligned himself with labor unions dominated by APRA, the army's traditional political foe, and that Chamot is pro - big business in his labor policies. At any rate, the labor minister has been discredited and may find himself overruled on other matters, such as recognition of the Communist labor confederation, and perhaps even forced out of the cabinet.

Velasco's capitulation to the strikers' demands means that the final settlement will be well over the ten percent ceiling previously in effect for wage agreements. This could set off more strikes if other unions try to benefit from the relaxation of guidelines, which in turn might generate some inflation. In addition, this may cause companies to take another look at their plans to invest in Peru.

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European Communities: The Council of Ministers has planned a summit conference but produced no progress on Community enlargement.

The Six agreed to hold a summit at The Hague on 17-18 November, but they may not all have the same sort of meeting in mind. The French are pleased that there will be no set agenda and have been speaking of the conference as a forum for general discussion of European problems. West Germany's Foreign Minister Brandt, while conceding that discussion of some points will not be detailed, has predicted that the relation between the consolidation and the expansion of the Communities will be a primary topic.

The French position on Community enlargement is still unclear. While they are now willing to discuss enlargement with their EC partners, they have not agreed to set a date for opening negotiations with the UK. Some of the old-line Gaullists in the government remain adamantly opposed to British entry, and Pompidou's own long-term views on enlargement are not known.

Some of France's partners may make a sustained effort at the summit to bring the French to accept a specific date for opening negotiations with the British, but it is not clear how hard they would be willing to push the French on this issue. The Italians continue to talk about holding out on the agricultural financing issue if the French will not agree to a commitment on negotiations.



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NOTE

Nigeria: There is still no sign of an early breakthrough in the civil war. The continued stalemate is increasing the possibility of a move against federal leader General Gowon by military officers who believe they can win the war. The removal of Gowon would place great strains on the federation, because it would be extremely difficult to find a successor acceptable to the disparate groups in the federation.

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